

Message Text

CONFIDENTIAL

PAGE 01 LISBON 06488 031617Z

43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 PM-04 NSC-05

SP-02 SS-15 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 OPIC-03 /064 W
----- 110711

R 031458Z NOV 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4823

INFO AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 6488

E.O. 11652: GDS

TAGS: BGEN, PO

SUBJ: SIGNETICS DECIDES TO TERMINATE ITS PORTUGUESE
OPERATIONS

1. ON THURSDAY, OCTOBER 30, MESSRS, FRED LARREA AND DONALD AANESTAD OF SIGNETICS, A SUBSIDIARY OF U.S. PHILIPS TRUST, CALLED ON EMBASSY. THEY WERE ACCOMPANIED BY PORTUGUESE MANAGER OF THEIR LOCAL FACTORY. EXECUTIVES OSTENSIBLY SOUGHT GENERAL BRIEFING ON ECONOMY AND FUTURE OUTLOOK. THEY DISCUSSED THE SHARP DECLINE IN THEIR LOCAL PLANTS' WORK FORCE AND THEIR EXTENSIVE IDLE CAPACITY, WHICH EXECUTIVES HOPED COULD BE UTILIZED BY NEW LINES OF PRODUCTION. DESPITE THESE NEGATIVE CONSIDERATIONS BOTH U.S. BUSINESSMEN EMPHASIZED THE CURRENT EFFICIENCY OF THEIR WORKERS, THEIR EXCELLENT LABOR/MANAGEMENT RELATIONS, AND PROMOSING NATURE OF GOVERNMENT'S ANTICIPATED EMERGENCY ECONOMIC PROGRAM.

2. MR. AANESTAD RETURNED TO EMBASSY EVENING OF FRIDAY, OCT. 31. HE APOLOGIZED FOR THE NATURE OF THE PREVIOUS DAY'S CONVERSATION, BUT STATED THAT HE AND MR. LARREA HAD BEEN SERIOUSLY CONSTRAINED IN THEIR COMMENTS BY PRESENCE OF LOCAL PORTUGUESE PLANT MANAGER. SIGNETICS, HE STATED, HAS DECIDED TO CLOSE ITS PORTUGUESE AFFILIATE. DESPITE HIGH WORKER PRODUCTIVITY, COMPANY EXPERIENCING A MONTHLY LOSS OF SOME \$100 THOUSAND BECAUSE OF HEAVY CAPITAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LISBON 06488 031617Z

COSTS AND SMALL OUTPUT VOLUME. SIGNETICS PROVIDES ABOUT \$150

THOUSAND MONTHLY IN MATERIALS AND FINANCING; IT RECEIVES FINISHED PRODUCTS MONTHLY VALUED AT SOME \$50 THOUSAND. SIGNETICS HAS CONTRACTED LOCAL LAWYER TO HANDLE CLOSURE. IT HOPES TO LEAVE PORTUGAL AS SMOOTHLY AS POSSIBLE AND, WITH THIS OBJECTIVE IN VIEW, WILL PAY ALL LABOR INDEMNITIES. SUCH INDEMNITIES ESTIMATED AT \$1 MILLION. COMPANY WILL SEEK TO RE-EXPORT FROM PORTUGAL ITS MACHINERY, WHICH IS VALUED AT \$1.4 MILLION. ANNOUNCEMENT OF CLOSURE WILL BE MADE IN APPROXIMATELY TWO WEEKS.

3. EMBASSY OFFICER'S IMMEDIATE REACTION TO STATEMENT THAT SIGNETICS WOULD CLOSE WAS TO OFFER DISCUSS MATTER WITH GOVERNMENT OFFICIAL. WHEN TOLD THAT EMBASSY APPROACH WOULD BE MADE IN HYPOTHETICAL TERMS WITHOUT MENTIONING SIGNETICS, MR. AANESTAD CONCURRED.

4. COMMENT: EMBASSY OFFICER OFFERED TO APPROACH GOP BECAUSE:
A. KNOWLEDGEABLE GOVERNMENT OFFICIAL HAD PREVIOUSLY STATED PRIVATELY THAT EMERGENCY ECONOMIC PROGRAM TO BE ANNOUNCED CONTAINS MEASURES TO ASSIST HARD-PRESSED FIRMS, E.G., SPECIAL CREDITS, SUBSIDIES, ETC., AND
B. SIGNETICS PLANT CLOSURE WILL, EVEN UNDER MOST FAVORABLE CONDITIONS, LIKELY GENERATE SEVERE CRITICISM. WHEN MR. AANESTAD DISCLOSED SIZE OF COMPANY'S LOSS, ESPECIALLY RELATIVE TO PORTUGUESE EXPORT VALUES INVOLVED, EMBASSY OFFICER EXPRESSED SERIOUS DOUBT THAT SUFFICIENT GOP ASSISTANT COULD BE EXPECTED TO PREVENT PLANT CLOSURE. DESPITE LIKELIHOOD THAT APPROACH WILL NOT HELP SIGNETICS, ECONOMIC COUNSELOR PLANS DISCUSS WITH FINANCE MINISTRY FINANCIAL DIFFICULTIES OF PRIVATE BUSINESS IN ORDER TO: A) DETERMINE GOVERNMENT WILLINGNESS TO ASSIST IN SUCH FIRMS, AND B) TO STRESS POSSIBILITY THAT SEVERAL FIRMS MAY HAVE TO CLOSE DURING NEXT FEW MONTHS BECAUSE OF THEIR FINANCIAL LOSSES.
CARLUCCI

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchandr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON06488
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750381-0328
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751181/aaaacukx.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchandr
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by WorrelSW>; APPROVED <22 OCT 2003 by buchandr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SIGNETICS DECIDES TO TERMINATE ITS PORTUGUESE OPERATIONS
TAGS: BGEN, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006